Regulatory Impact Analysis

7 CFR Parts 271 and 278

Supplemental Nutrition Assistance Program: Updated Staple Food Stocking Standards for Retailers in the Supplemental Nutrition Assistance Program

I. Statement of Need

In response to section 765 of the Consolidated Appropriation Act of 2017 and corresponding provisions in subsequent enacted appropriations, the United States Department of Agriculture (USDA) Food and Nutrition Service (FNS) proposes to revise the Supplemental Nutrition Assistance Program (SNAP) regulations at sections 271 and 278 to codify a new framework for determining distinct varieties of staple foods for purposes of assessing retail food store eligibility to participate in SNAP. The rulemaking is necessary to implement the enhanced stocking requirements of the Agricultural Act of 2014 (2014 Farm Bill), which increased the minimum number of varieties SNAP retail food stores must carry in each staple food category from three (3) to seven (7) as well as the minimum number of varieties that must be perishable from one variety in each of two (2) different staple food categories to one variety in each of three (3) different staple food categories. This rule would also update and codify the existing criteria for accessory foods (snacks, desserts, and foods meant to complement or supplement meals), which are not counted as staple foods for purposes of meeting the staple food stocking or sales requirements for SNAP retailer eligibility. This proposed rule will primarily affect small

SNAP-authorized retailers (convenience stores, small grocery stores, and combination stores) who are currently authorized under Criterion A[1].

The proposed rule will increase the variety of staple food products offered for sale at SNAP-authorized firms, which will help to ensure that SNAP households have access to more food options, potentially including healthier foods, on a continuous basis.

Summary of Impacts

The Department has estimated the proposed rule's total cost to the Government as approximately $4 million in fiscal year (FY) 2027, and to incur no further costs after implementation. The cost across currently authorized retailers is estimated to be approximately $55 million in the first year and about $2 million per year over the following four years. Impacts are summarized in Table 1.

[1] Retailers must meet one of two criteria in order to be authorized to accept SNAP. Under Criterion A, stores must offer for sale, on a continuous basis, a certain number of qualifying foods in each of the four staple food categories, with perishable foods in a certain number of the staple food categories. Under Criterion B, more than one-half (50%) of the total dollar amount of all retail sales (food, nonfood, gas and services) sold in the store must be from the sale of eligible staple foods.

Table 1: Summary of Impacts (all figures shown in 2025 dollars)

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
Costs to the Government						
Administrative Costs	4	4	4	4	4	20
Total Government Cost (millions)	**4**	**4**	**4**	**4**	**4**	**20**
Costs to Retailers that Need to Add Varieties (per store, dollars)*						
Breadth of Stock | Opportunity Costs	17 to 18	17 to 18	17 to 18	17 to 18	17 to 18	
Administrative Costs	200	0	0	0	0	
Total Costs (per store, dollars)	**217 to 218**	**17 to 18**	**17 to 18**	**17 to 18**	**17 to 18**	**285 to 290**
Costs to All Other Retailers (per store, dollars)**						
Administrative Costs	200	0	0	0	0	
Total Costs (per store, dollars)	**200**	**0**	**0**	**0**	**0**	**200**
Total Retailer Cost (millions)	**55**	**2**	**2**	**2**	**2**	**63**

**For 99,192 SNAP-authorized firms that would need to add varieties

***For all remaining 170,025 SNAP-authorized firms

Note - Figures may not sum due to rounding

As required by OMB Circular A-4, in Table 2 below, the Department has prepared an accounting statement showing the annualized estimates of benefits, costs, and transfers associated with the provisions of this proposed rule.

Table 2: Accounting Statement

	Primary Estimate	Year Dollar	Discount Rate	Period Covered
Benefits – Qualitative: To ensure that SNAP households have access to variety of healthy staple food options on a continuous basis.				
Annualized Monetized ($millions/year)	N/A	2025	--	FY 2027-2031
Costs – Federal administrative costs associated with developing notices for retailers, and additional denials and reauthorizations of retailers as they come into compliance. Costs to retailers for adding and maintaining new varieties to their stock, and administrative costs of learning the new rules.				
Annualized Monetized ($millions/year)	$16.271 to $16.34	2025	3%	FY 2027-2031
	$17.093 to $17.15	2025	7%	FY 2027-2031
Transfers – There will be no impact on transfers.				
Annualized Monetized ($millions/year)	N/A	2025	3%	FY 2027-2031
	N/A	2025	7%	FY 2027-2031

In the discussion that follows, we provide a description of the cost impacts.

II. Cost Impacts

Discussion: In order to be eligible to participate in SNAP, a retail food store must meet either Criterion A (staple food stock) or Criterion B (staple food sales) requirements under SNAP regulations at 7 CFR 278.1(b)(1)(ii) and (iii), respectively. Under the regulations currently in effect,[2] stores authorized under Criterion A are required to stock at least three (3) units in three (3) varieties in each of four (4) staple food categories[3], where at least one (1) variety in at least two (2) staple food categories is perishable. Upon finalization of a new staple food variety framework through this rulemaking, the SNAP retailer stocking requirements in Sec. 3(o) of the Act would also go into effect. Those stocking requirements, which have already been codified at §278.1(b)(1)(ii), would require SNAP retailers to stock seven (7) varieties of staple foods in each of the four (4) staple food categories, of which at least one (1) variety in three (3) different staple food categories is perishable. Additionally, the definitions of staple foods, accessory foods, varieties, and main ingredients will be simplified and reorganized for clarity. In general, this proposed rule would maintain the overall current framework but proposes putting more emphasis on traditional staple foods and operational simplification by separating out, into two newly established groups, widely consumed and commonly stocked staple food products that are easier to recognize. In subgroup 1 under §278.1(b)(1)(ii)(C)(1), , raw grain, flour, or dried peas/lentils would be considered a different variety than a food in which they are the main ingredient. For example, as part of group 1, the following foods, which currently count as just one variety, would be separate varieties under the proposed framework:

•

[2] In 2016, USDA promulgated regulations to implement SNAP retailer requirements enacted in the 2014 Farm bill (see 81 FR 90675). Subsequently, however, Congress in section 765 of the Consolidated Appropriations Act of 2017 and provisions in subsequent appropriations acts enacted provisions in appropriations law that prohibit the Department from implementing, administering, or enforcing the retailer ''Breadth of Stock'' and "Variety" provisions of this rule until USDA modifies the definition of ''variety'' to increase the number of acceptable food items for each.

[3] The current staple groups are breads and cereals; dairy; meat, fish, and poultry; and fruits and vegetables. This proposed rule will modify the names of these groups to grains; dairy; protein; and fruits and vegetables.

- Cornmeal and ears of corn or a product with corn as the main ingredient;
-
- A bag of uncooked rice and canned soup with rice as the main ingredient; and
- A bag of uncooked, dry beans and canned cooked beans.

In group 2 under §278.1(b)(1)(ii)(C)(2), the specific types of food identified would count as only one distinct variety, regardless of different main ingredients or coming from different animals or plants. These foods would include eggs, tofu, bread, perishable liquid milk, dried/powdered milk, fermented/cultured dairy beverages, cream, pasta/noodles, breakfast cereals/foods, shelf-stable liquid milk, cheese, yogurt, butter, infant formula, perishable meat, poultry, or fish (for each different kind of animal), and shelf-stable meat, poultry, or fish (for each different kind of animal).

For example, all breakfast cereals/foods would be considered a single variety, regardless of whether the main ingredient is rice, oats, or corn. The definition of accessory foods will be updated to add edible items used for food preparation to the existing two groups (snacks/desserts and items meant to complement/supplement meals). Additionally, snack bars, jerky, and cheese/fruit dips and spreads will be added to the accessory food list.

Retailer Stocking Costs: This proposed rule will primarily affect roughly 189 thousand smaller authorized retailers (convenience stores, small grocery stores, and combination stores, approximately 70 percent of the approximately 269 thousand SNAP authorized retailers) who are authorized under Criterion A[4], as these stores tend to have more limited stock compared to larger stores.

The estimates of the proposed rule's impacts on these retailers' stock are based on analysis of data from the Store Tracking and Redemption System (STARS)[5] of 121,294 currently authorized small SNAP-authorized firms which were authorized or reauthorized during calendar years 2022 to 2024. Data in STARS include the number of varieties in each of the four staple groups for each firm based upon the most recent eligibility store visit[6], as well as whether the store had a perishable item in the different staple groups.

Data on stocking units was limited to whether the firm had at least three stocking units in at least three varieties for each staple group, so it is not known if stores had at least three stocking units for all varieties recorded in a given staple group. For each staple group, we determined the number of firms that had fewer than seven varieties. The percentage of these stores with fewer than seven varieties was applied to the total number of currently authorized small firms subject to Criterion A (≈189 thousand).

[4] Retailer figures as of June 2025, per the Store Tracking and Redemption System.
[5] STARS is the system of record in which authorization and compliance history is kept for all SNAP retailers that have ever participated in or have applied for SNAP.
[6] Store visits involve an FNS contractor making an unannounced visit to the store to capture photos of overall store inventory, aisles, store conditions and capture inventory counts on a survey form but not product ingredients.

Table 3: Stores that would not meet the non-discretionary Breadth of Stock Requirements

Store Type	Total Authorized Stores	Stores in Dataset	Varieties			Perishables		
			Dataset Stores Needing Varieties	% of Dataset Needing Varieties	Total Stores Needing Varieties	Dataset Stores Needing Perishables	% of Dataset Needing Perishables	Total Stores Needing Perishables
Combination Grocery/Other	60,335	35,228	2,923	8%	5,006	17	0%	29
Convenience Store	119,688	80,521	58,966	73%	87,648	575	1%	855
Small Grocery Store	8,489	5,545	4,270	77%	6,537	34	1%	52
Total	188,512	121,294	66,159		99,192	626		936

With fewer than 1,000 small firms unable to meet the requirements for perishables, which represents only 0.5% of the firm types included in this analysis, the Department considers it unlikely that incremental stock carrying costs, as estimated elsewhere in this analysis, insufficiently capture these firms needing additional refrigerated space beyond their current capacity. Therefore, no costs were separately calculated for the increased requirement of perishable varieties from two to three.

It is important to note that the data on varieties is based upon current definitions and may not align perfectly with the new groupings. As such, as part of the analysis adjustments were made to the simple comparison of currently implemented and proposed staple food requirements to reflect the fact that some staple groups (grains, dairy, and protein) will be easier to satisfy under the proposed definitions. These are explained below and presented in Table 4:

Grains: USDA believes that grain requirements will be slightly easier to meet with the separation of flour and raw grains from other foods where those ingredients are a main ingredient, despite the classification of all bread (including tortillas, bagels, pitas, buns/rolls, etc.) and breakfast cereal/foods as a single variety. As such, the estimated average number of grain varieties that a small firm is expected to need to add was reduced by 5%.

Dairy: USDA believes that dairy requirements will be easier to meet with the separation of liquid milk, shelf-stable milk, powdered milk, cream, and fermented dairy beverages, which otherwise were considered a single variety if they came from the same mammal. As such, the estimated average number of dairy varieties that a small firm is expected to need to add was reduced by 25%.

Protein: Similarly, USDA believes that protein requirements will be easier to meet, as shelf-stable meat, fresh/frozen meat, beans, peas, lentils, and tofu/tempeh are now all considered separate varieties, although jerky can no longer be counted in this staple group. As such, the estimated average number of protein varieties that a small firm is expected to need to add was reduced by 15%.

Fruits and vegetables: Estimates for this category were not adjusted, as the definition for fruits and vegetable varieties are not changing.

Table 4: Summary of Varieties Needed

Total Small Firms	Firms Needing Varieties	Staple Group	Firms With Fewer Than 7 Varieties	Average Varieties Needed	Percent Adjustment	Adjusted Average Varieties Needed
188,512	99,192	Grains	35,783 19%	2.6	5%	2.4
		Dairy	90,472 48%	2.8	25%	2.1
		Protein	69,466 37%	2.4	15%	2.0
		Fruits/ Vegetables	31,666 17%	2.7	0%	2.7

Note: Many firms will need varieties in more than one staple group.

On average, firms that need to add varieties will need to add 5 varieties, after adjustment, across the staple groups. To estimate the net revenue impact of adding these five food varieties to store inventories at adequate depth of stock to achieve and maintain compliance with the proposed rule, we consider the following:

- SNAP is designed to operate through normal retail channels of trade, with SNAP-authorized stores charging prices for eligible items that are consistent with those charged to non-SNAP customers, and on average yield an operating profit.
- Given the Theory of the Firm, the constraints of the proposed rule are likely to yield an overall inventory of offerings that is marginally less profitable than permitted under current rules. Differences would reflect 1) higher marginal cost to purchase and carry, and thus lower marginal profit earned, for the newly required items as compared to those eliminated from store shelves.

We quantify these differences by:

1. **Estimating the purchase cost of the additional items.** The cost of adding varieties was determined using average retail food prices[7] of several items per staple group, adjusted to 2027 dollars. These average retail prices were converted to wholesale prices[8] and adjusted to typical stocking unit quantities. This unit price was multiplied by three, as depth of stock rules require stores to stock three units per variety.
2. **Estimating the cost to carry the new items**. An incremental stock carrying cost of 12.5% (= 27.5% - 15%) [9] is assumed.

   USDA welcomes comment on the assumptions used to quantify these costs, and potential data source that can be used to improve these estimates.

Table 5: Average Purchase and Carrying Cost per Variety per Staple Group

Staple Group	Food Item	Wholesale Price per Typical Stocking Unit	Average Wholesale Price (3 Stocking Units)	Average (3 Stocking Units) 12.5% Stock Carrying Cost
Grains	Flour, white, all purpose	$0.89	$3.74	$0.47
	Rice, white, long grain, uncooked	$1.64		
	Bread, white	$1.38		
	Spaghetti and macaroni	$1.09		
Dairy	Milk, fresh, whole, fortified	$3.16	$8.21	$1.03

[7] From https://www.bls.gov/regions/mid-atlantic/data/averageretailfoodandenergyprices_usandmidwest_table.htm, U.S. City Average, March 2025 column, accessed May 7, 2025.

[8] Using formula from https://www.nationalgrocers.org/ngaftacenter/ngafta-news/how-is-a-retail-price-calculated/?gad_source=1&gad_campaignid=22236277094&gbraid=0AAAAA-ydI4H7voouj-dCXLFUEM7ew3H8_&gclid=EAIaIQobChMIzPL2ke2RjQMVIzcIBR2ImiOEEAAYASAAEgLD9vD_BwE, accessed May 7, 2025.

[9] Inventory carrying costs, which account for storage and potential spoilage, average 15-30% of the value of the stock. Source: https://quickbooks.intuit.com/global/resources/inventory-management/carrying-costs/, accessed May 15, 2025. A percentage toward the top of this range is assumed to be reasonable for the products newly stocked as a result of this rule, whereas the lower end of the range is used for baseline products.

	American processed cheese	$2.90		
	Butter	$3.76		
	Yogurt, 8 oz.	$1.13		
Protein	All uncooked ground beef	$4.73	$10.57	$1.32
	Chicken breast, boneless	$3.20		
	Eggs, grade A, large	$4.86		
	Beans, dried	$1.29		
Fruits and Vegetables	Bananas	$0.11	$2.03	$0.25
	Lemons	$0.18		
	Potatoes	$0.52		
	Lettuce	$1.59		
	Corn, canned	$0.99		

These average prices were multiplied by the adjusted number of varieties needed to determine the average cost per store to carry the required varieties. They were then multiplied by an assumed average restocking frequency of roughly once each quarter. This reflects the assumption that since stores already meet the perishable variety requirements, they will add non-perishable varieties to minimize cost, and that they will only restock more frequently if demand dictates. Public feedback would be especially welcome regarding the quantification of restocking frequency of relevant products.

Table 6: Cost for Small Firms to Meet Breadth of Stock Requirements

<table>
<tr><th>Firms Needing Varieties</th><th>Staple Group</th><th>Firms Needing Varieties</th><th>Adjusted Average Varieties Needed</th><th>Assumed Restocking Frequency (per year)</th><th>Average Wholesale Cost</th><th>Net Loss Input = Average (3 Stocking Units) 12.5% Stock Carrying Cost</th><th>Cost to Meet New Standards (thousands)</th><th>Total Annual Cost (thousands)</th><th>Average Cost Per Firm</th></tr>
<tr><td rowspan="4">99,192</td><td>Grains</td><td>35,783</td><td>2.4</td><td>4</td><td>$3.74</td><td>$0.47</td><td>$163</td><td rowspan="4">$1,761</td><td rowspan="4">$17.75</td></tr>
<tr><td>Dairy</td><td>90,472</td><td>2.1</td><td>4</td><td>$8.21</td><td>$1.03</td><td>$775</td></tr>
<tr><td>Protein</td><td>69,466</td><td>2</td><td>4</td><td>$10.57</td><td>$1.32</td><td>$734</td></tr>
<tr><td>Fruits/ Vegetables</td><td>31,666</td><td>2.7</td><td>4</td><td>$2.03</td><td>$0.25</td><td>$88</td></tr>
</table>

Note: Many firms will need varieties in more than one staple group.

On average, small SNAP-authorized stores that do not already meet the new breadth of stock standards would need to spend about $18 per year to carry the required varieties.

Alternative: Opportunity cost for stores meeting the new requirements.

Another way of contemplating the effects presented above is that an opportunity cost would be incurred as retailers lose the capacity to carry more profitable items for less profitable staple food varieties in order to meet breadth of stock requirements. Because the Department does not have information available on the profitability of various food items for small retailers, we are basing our alternative estimate (of opportunity costs associated with this provision) on analysis provided by industry trade associations[10]. In 2016, it was estimated that the opportunity cost associated with adding an average of 24 stocking units was $20 per store. We adjusted this estimate to an average of 15 units (average 5 varieties, 3 stocking units each), and adjusted to 2027 dollars. This resulted in an opportunity cost of $17 per store, per year and is presented as part of an uncertainty range in Table 1, above.

We recognize that during the transition to the new standards, an increased number of stores will likely lose authorization due to failure to meet the new stocking standard. (Roughly 2,000 do so annually under current standards.) We expect that all of these will likely invest in stock to meet the new standards and apply for reauthorization. Therefore, we have not adjusted stocking costs down to reflect a smaller net number of authorized retailers, but we have projected additional Federal costs for 5,000 denials subsequent applications/authorizations at these locations. This is reflected in Federal costs, below.

<u>Retailer Administrative Costs</u>: The Department assumes an administrative cost to retailers for activities associated with learning what the new requirements are and making changes accordingly. The median hourly rate for management occupations at grocery stores, fully loaded, and adjusted to 2027 dollars is $50. The Department estimates each retailer will require approximately 4 hours for these activities, for an average of $200 per store in the implementation year. This cost was applied to all 269,217 SNAP-authorized firms, not only those which will need to add varieties.

---

[10] Source: Industry association comments (available to the public on www.regulations.gov, comment FNS-2016-0018-0778) estimated that opportunity costs associated with the Breadth of Stock requirements in the 2016 final rule would average $20 per store annually, to add 24 units at that time.

Table 7: Retailer Administrative Costs

Position	Fully Loaded Wage, adjusted to 2027 dollars	Hours In Implementation Year	Cost Per Store	Stores	Total Cost
Management Occupations at Grocery Stores	$49.89	4	$199.56	269,217	$ 53,724,945

Federal Administrative Costs: The Department will need to create and distribute notices to SNAP-authorized firms to inform them of the changes. The Department assumes a one-time administrative cost of 240 hours to create this notice., as well as a one-time administrative cost of 30 hours for review, approval, and clearance procedures for the notice. The notice will be transmitted digitally, so no printing or postage costs were included.

The Department also assumes additional Federal costs for 5,000 denial actions, for stores losing authorization due to failure to meet the new stocking standard timely, as well as 5,000 reapplications/reauthorizations after they invest in stock to meet the new standards and apply for reauthorization.

Table 8: Federal Administrative Costs

Position	Task	Fully Loaded Wage, adjusted to 2027 dollars	Annual Hours	Total Cost
Notice and Guidance(implementation year only)				
GS-13 Step 5 Analyst	Draft/develop notice	$81.50	240	$19,560
GS-14 Step 5, Branch Chief	Review notice	$96.31	20	$1,926
GS-15 Step 5, Division Director	Review and approve notice	$113.29	10	$1,133
Total Federal Cost for Notice and Guidance				$22,619

Additional Denial Actions				
GS-12 Step 5 Analyst	Preparation of Denial Action (5 hours each)	$68.54	25,000	$1,713,179
GS-13 Step 5 Analyst	Review of Denial Action (1 hour each)	$81.50	5,000	$407,503
Total Federal Cost for Additional Denial Actions				$2,120,682
Additional Applications/Authorizations				
GS-12 Step 5 Analyst	Review of Application (2 hours each)	$68.54	10,000	$685,271
GS-13 Step 5 Analyst	Reauthorization (1/2 hour each)	$81.50	2,500	$203,751
Retailer Training Kits ($.35 each)				$1,750
Contracted Store Visits ($185 each)				$925,000
Total Federal Cost for Applications/Authorizations				$1,815,773
Total Federal Administrative Cost, 2027				$3,959,074

Effects on SNAP Participants: Because the impacts on retailers are relatively small (less than $300 in the implementation year), the Department does not anticipate that many stores will leave the program due to this proposed rule. Therefore, access to SNAP retailers is not expected to be adversely affected for SNAP participants. However, this proposed rule will help to ensure that SNAP households have access to a greater variety of staple food options on a continuous basis.

Uncertainties: There were several uncertainties in our analysis. First, STARS data captured varieties based upon current guidelines relating to varieties and staple groups. With some changes proposed for what would be considered a variety in the grains, dairy, and protein groups, our analysis may not perfectly capture the true need for varieties in each group. While our adjustment to grains, dairy, and protein varieties aims to address this uncertainty, it may not address it perfectly. Additionally, STARS data did not capture whether stores had at least three stocking units for varieties beyond the currently required three per staple group. We assume that any variety counted in the dataset was adequately stocked.

When determining opportunity cost, we do not have access to data on the profitability of different food items. Our data source for opportunity cost was produced in 2016, and may not reflect current trends. The Department requests comments regarding opportunity costs.